



JR KYUSHU IR DAY



ESG Initiatives

~ Toward the realization of the “What we aim to be”

December 11, 2020

Kyushu Railway Company

Yoji Furumiya

Director and Senior Managing Corporate Officer



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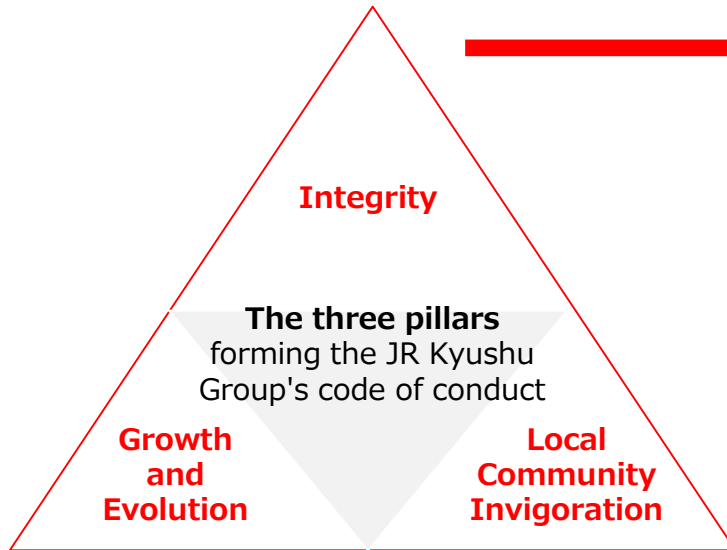
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1 The Story of Value Creation



Management Philosophy System

What we aim to be



A corporate group that invigorates Kyushu, Japan, and Greater Asia with safety and service as its foundation

Long-Term Vision for 2030

To contribute to the sustainable development of Kyushu through city-building/community development initiatives that leverage the distinctive characteristics of local communities, centering on safe and reliable mobility services

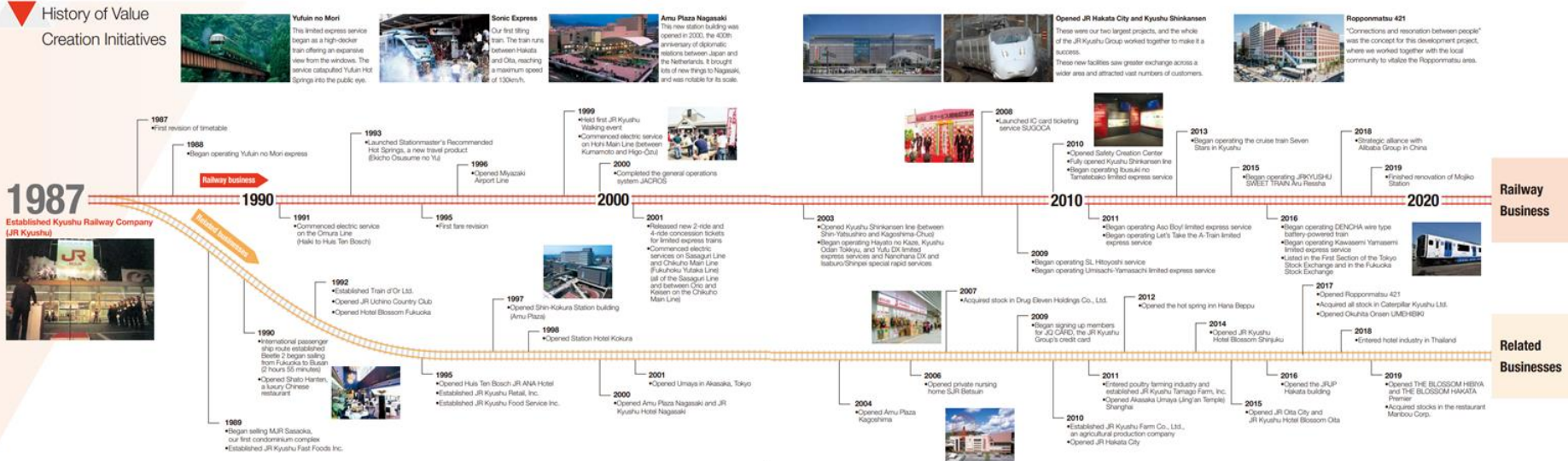
Medium-Term Business Plan 2019–2021

Annual business policies

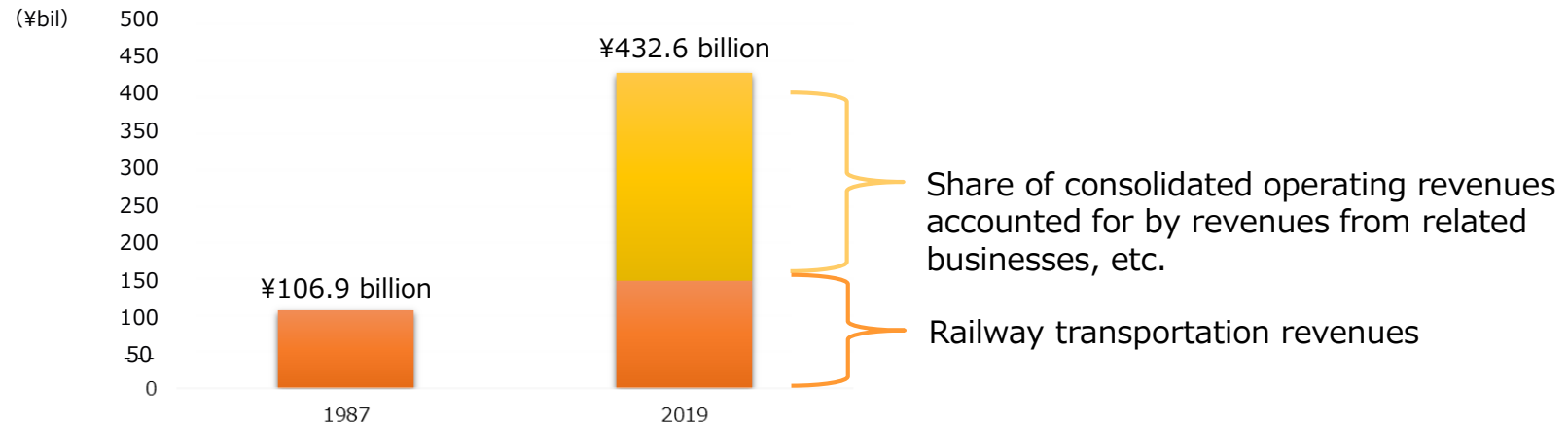
1 The Story of Value Creation



History of JR Kyushu



Changes in Operating Revenue



1 The Story of Value Creation



Value Creation Process ~The Path to Realization of "What we aim to be"

Value Creation Process

The Path to Achieving What We Aim To Be

Building a Kyushu where people want to live, work and visit

We are implementing strategic city-building and community development initiatives to increase populations in the areas around our railway lines.

Strengths of the JR Kyushu Group

Financial capital

- Creation of sustainable cash flow
- High financial soundness

Operating cash flow
60.4 billion yen

Credit rating
AA- (Fitch)

Manufactured capital

- Railway assets throughout Kyushu (stations and buildings around stations)

Number of stations	Number of stations with commercial facilities	Tracks
568	68	2,273 km

Intellectual capital/human capital/social and relationship capital

- A corporate culture where safety is prioritized and a high quality of service is achieved
- A corporate culture that emphasizes learning and taking on challenges
- Initiatives to apply employees' ideas and observations to our business
- Support from the community

Number of employees	Number of opinion exchange meetings between management and employees	Number of discussions with customers
17,450	24 per year	20 per year

Natural capital

- Kyushu's rich nature, cuisine, culture and history

Number of World Heritage Sites (Kyushu and Okinawa)	Ranking for total volume of hot springs (Oita Prefecture)
5	1

*Source: Usage of Hot Springs 2018



What we aim to be

A corporate group that invigorates Kyushu, Japan, and Greater Asia with safety and service as its foundation

Long-Term Vision for 2030

To contribute to the sustainable development of Kyushu through city-building/community development initiatives that leverage the distinctive characteristics of local communities, centering on safe and reliable mobility services

The JR Kyushu Group's code of conduct: Our business centers on the principles of Integrity, Growth and Evolution, and Local Community Invigoration

ESG management

Threats

- Declining population
- Declining birthrate and aging population
- More frequent and severe natural disasters

Changes in social structures

- Increasing populations in urban areas
- Increasing tourism demand
- Growing increase in inbound
- Improvement of urban functions

Opportunities

1 The Story of Value Creation



Materiality: Points that the JR Kyushu Group focuses on at all times

Sound Corporate Management

- Strengthening risk management
 - Rigorous compliance
- Ensuring transparent and fair management
- Extensive communication with stakeholders

Building a Sustainable Society

- Addressing environmental issues (climate change and resource conservation)
- Contribution to local communities

Source of Value Creation

- Safety
- Service
- Development of Human Resources (Effective use of employees and making work fulfilling)

2 Source of Value Creation



What should remain unchanged and important in all our businesses



Safety



Service



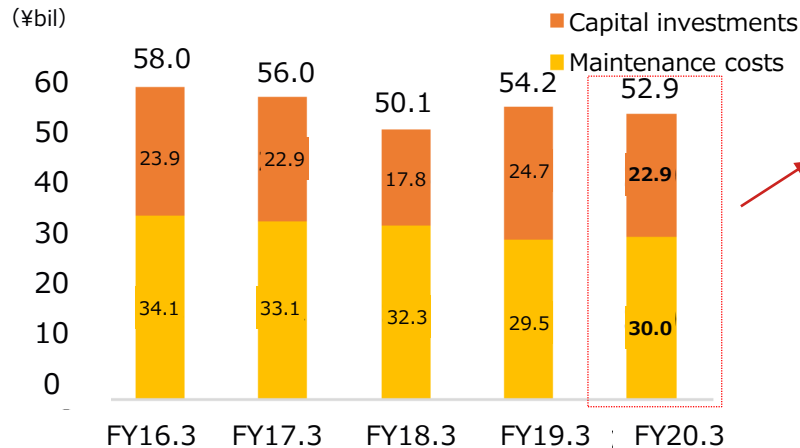
Development of Human Resources



2 Source of Value Creation -Safety-



Changes in investment in railway safety



- Replacement of obsolete facilities
 - Replacement of obsolete Shinkansen operation management systems
 - Improvement of track circuit devices
- Safety and disaster-damage prevention measures
 - Installation of automatic platform gates and elevation of the area around Nagasaki Station on the Nagasaki Main Line
- Measures for reliable transportation
 - Transitioning to TPC railroad ties and improvement of roadbeds
- Rolling stock projects
 - New production of YC1 and 821 series rolling stock

Disaster-damage prevention measures

In the fiscal year ended March 2020, we carried out work in 29 areas to reinforce sloping areas alongside the tracks that may be affected by heavy rain or typhoons and prevent rockfall and collapse due to deterioration over time.



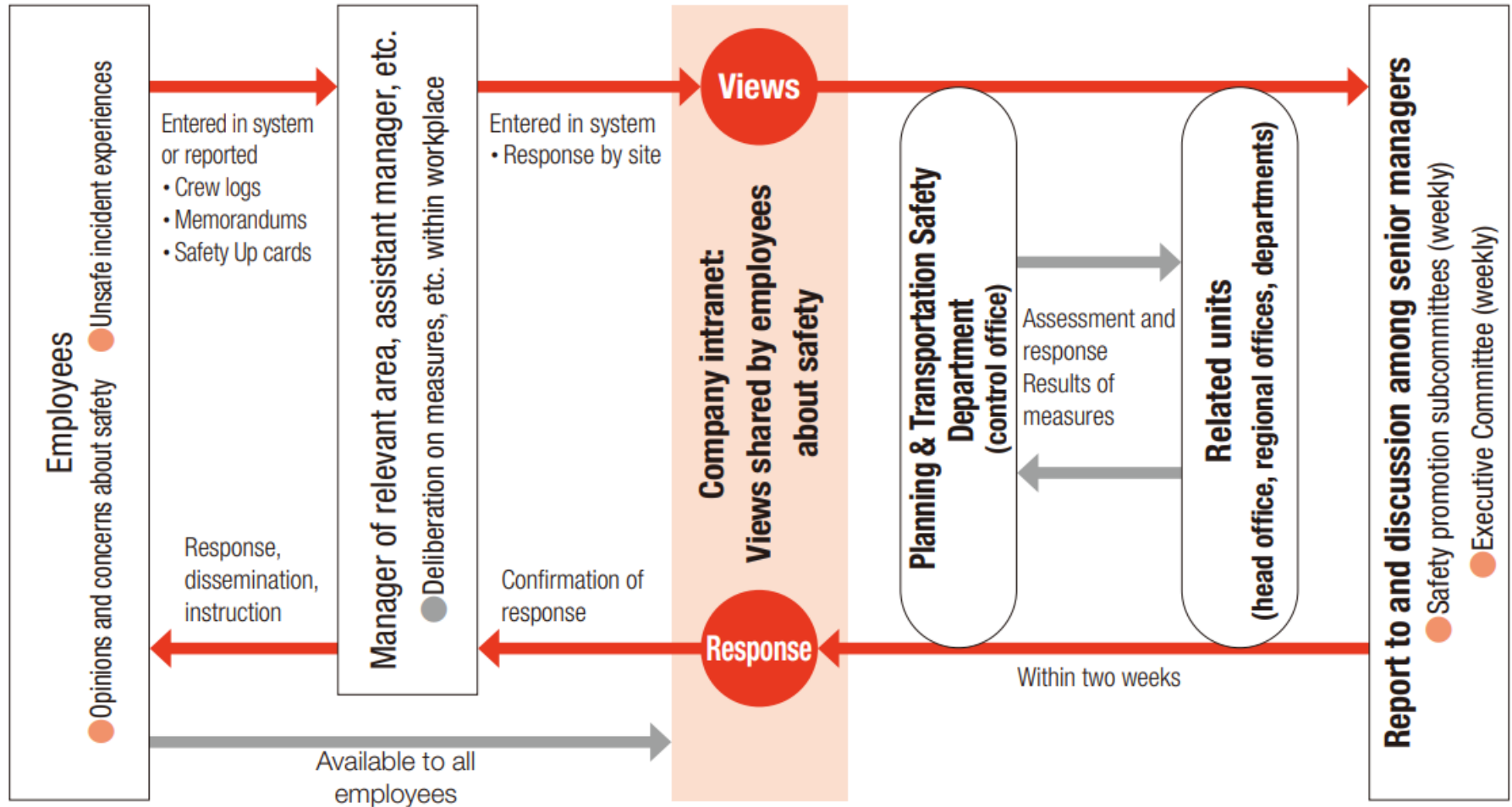
Before the measures were carried out



After the measures were carried out

2 Source of Value Creation -Safety-

Process for views shared by employees about safety



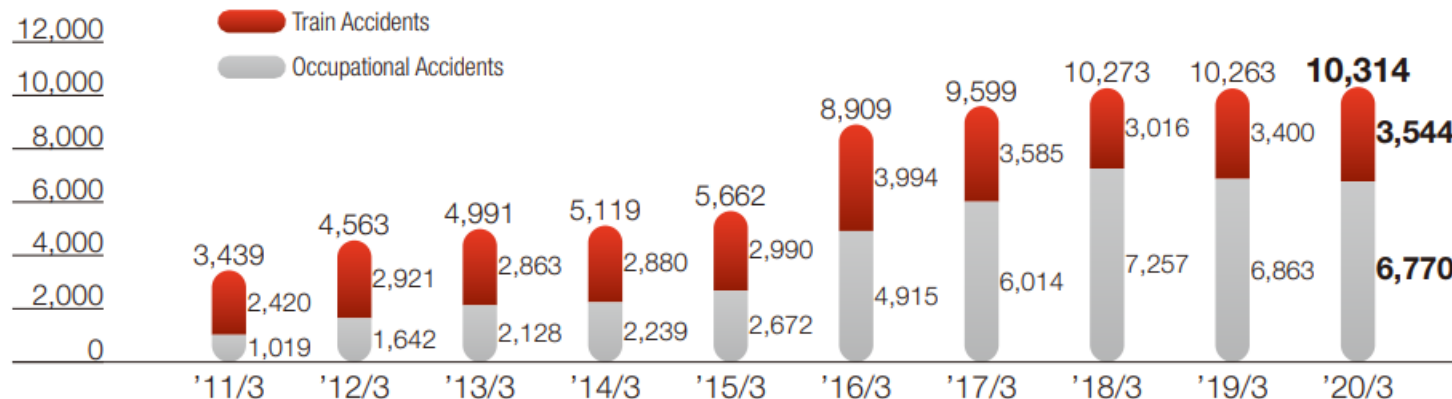
2 Source of Value Creation -Safety-



Award system for Initiatives to ensure safety Views shared by employees about safety

Safety creation grand prize	Commends workplaces that have proactively provided insightful suggestions or outstanding feedback and thereby helped advance safety creation campaigns and employees who have been conspicuously successful in the creation of safety
Safety creation award	Commends those who have provided outstanding safety-related feedback that reflects a strong awareness of safety issues
Award for advances related to unsafe incidents	Commends those who have provided feedback and suggestions that have significantly contributed to the prevention of accidents or transportation reliability
Open award related to unsafe incidents	Commends those who have provided feedback that has significantly contributed to the prevention of accidents, the safety and reliability of transportation, or the prevention of occupational accidents by actively explaining personal experiences of unsafe incidents
Award for anticipation of unsafe incidents	Commends those who have provided feedback that has significantly contributed to the enhancement of safety or transportation reliability by anticipating unsafe incidents

Number of Views Shared by Employees about Safety



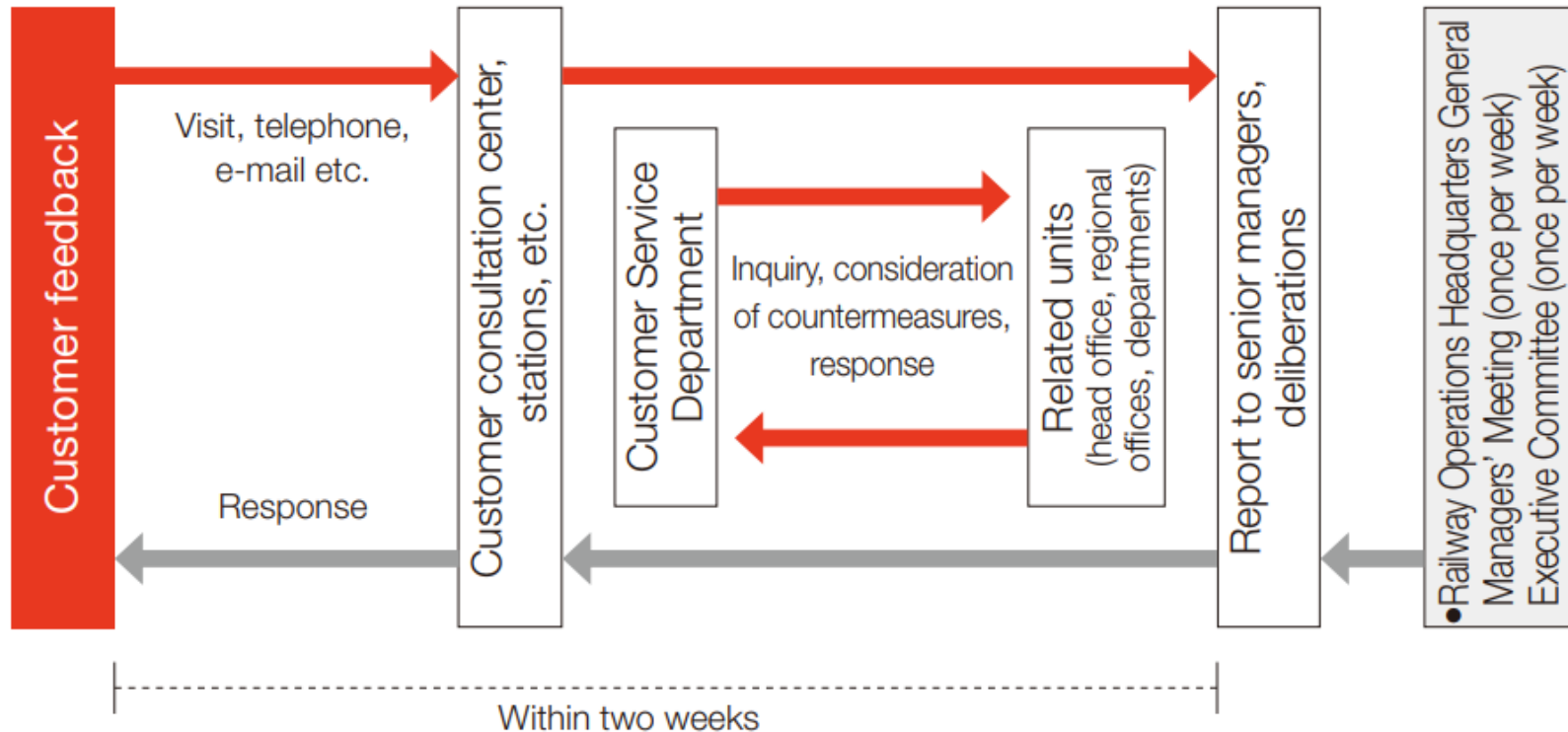
2 Source of Value Creation -Services-



Flow of Customer Feedback

Topics of positive feedback : 1,675 messages (FY20.3)

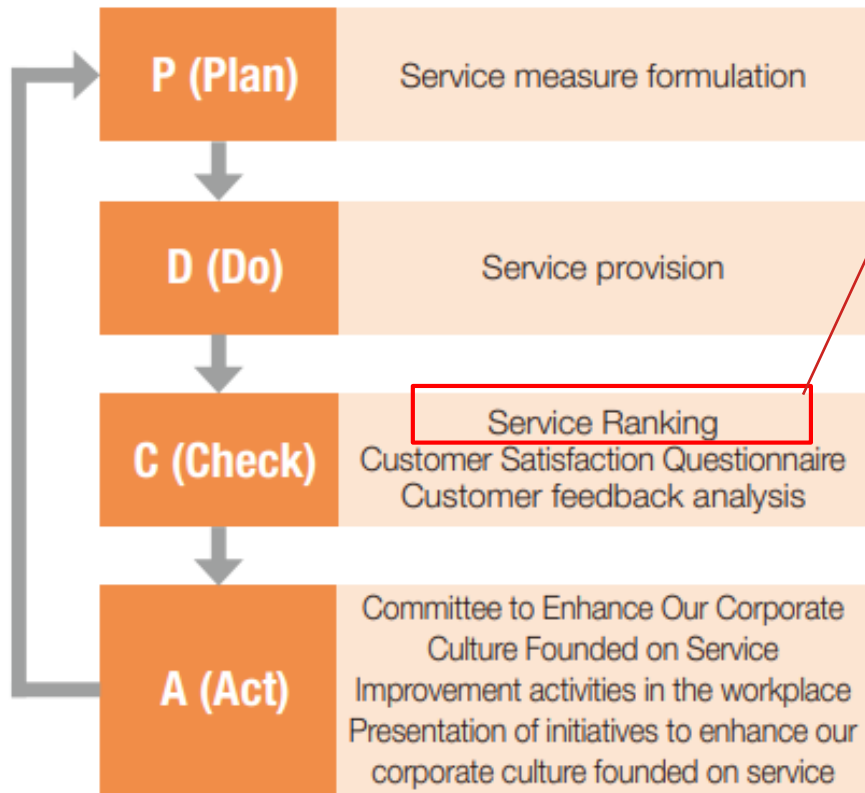
Topics of feedback and requests : 7,495 messages (FY20.3)



2 Source of Value Creation -Services-



PDCA cycle for services



Service Ranking

Services ranking to be evaluated using external surveys.

Survey targets: Station and travel, and train crew units

Survey frequency: Semiannual (in principle)

Survey details: Quantifying and ranking the results of service surveys



Service Ranking entails surveys conducted anonymously by external researchers.

2 Source of Value Creation -Development of Human Resources -



Proactive use of young employees



Manbou Corp., which became a Group company in FY20.3

A Challenge for the JR Kyushu Group



Seven Stars in Kyushu, which celebrated its seventh anniversary

Future Creation Program “HIRAMEKI”



Future Creation Program “HIRAMEKI”

Activities in diverse fields

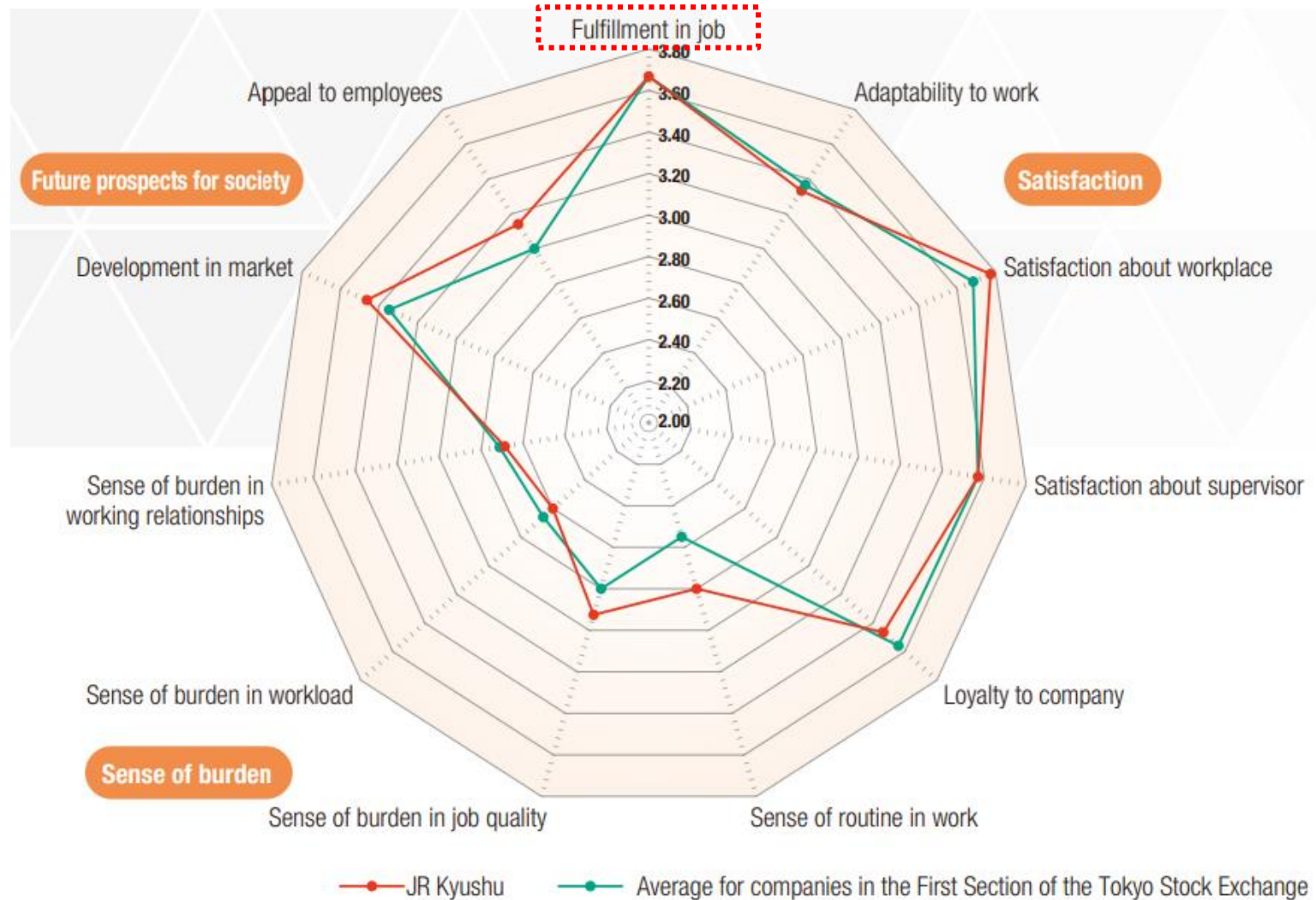


Hakata Station’s first female stationmaster

2 Source of Value Creation -Development of Human Resources -



Employee awareness survey (FY20.3)



3 Sound corporate management

- Establish transparency and fairness in management -



Main initiatives to strengthen our governance

FY2019/3

- Transitioned to a company with an audit and supervisory committee
- Introduced an executive officer system in conjunction with the change in supervisory committee structure
- Introduced third-party evaluation in evaluating the effectiveness of the Board of Directors
- Established the Nomination and Compensation Advisory Committee (with an Outside Director appointed as chairman)

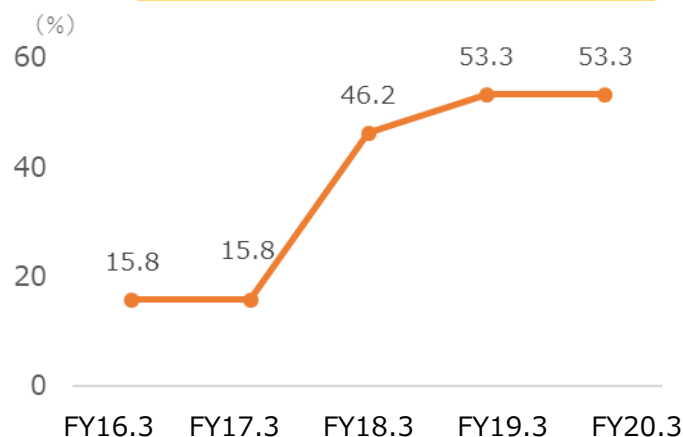
FY2020/3

- Established the position of Chief Financial Officer (CFO)
- Appointed two additional Outside Directors with expertise on real estate, IR and finance
- Raised the percentage of outside directors to 53.3% (8/15)
- Introduced the performance-linked share-based remuneration plan "Board Benefit Trust"
- Revision of the amount of remuneration for directors
- Reinforcement of the management of business segments (the establishment of holding companies in station building and hotel businesses and a change in segment classification)

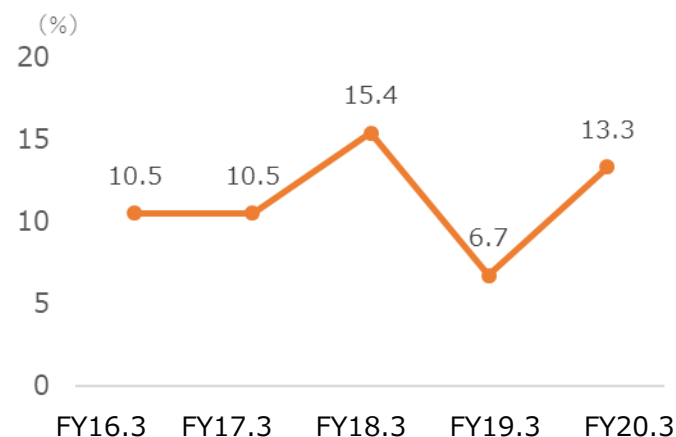
FY2021/3

- Appoint a female outside director familiar with ESG management for greater diversity
- Disclose skill sets of directors
- Decrease the size of our Nomination and Compensation Advisory Committee for more efficient operations

Ratio of independent outside directors



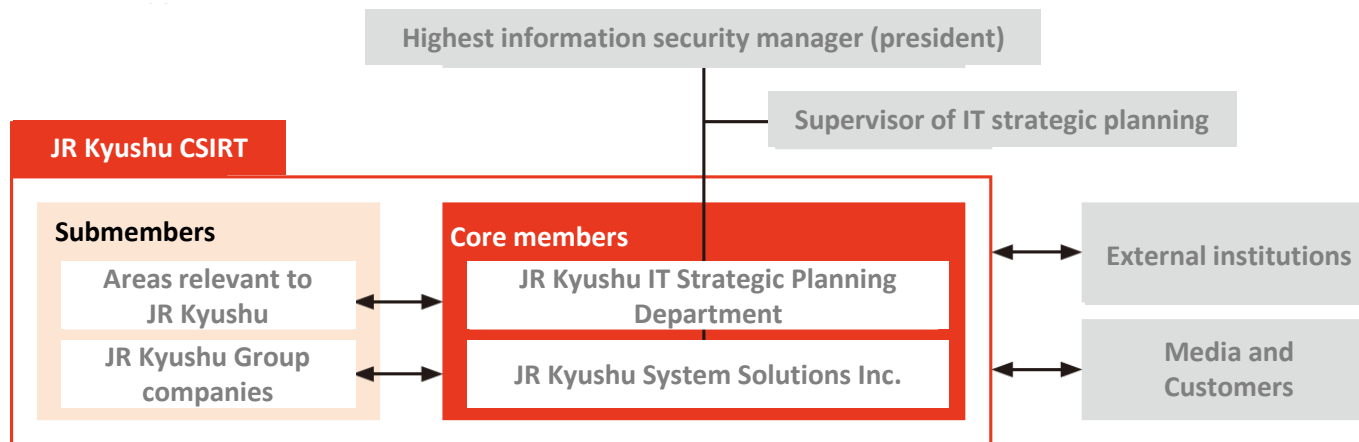
Ratio of female directors



3 Sound corporate management - Strengthen risk management -



Management structure for strengthening information security



<Role of JR Kyushu CSIRT>

- Clear communication about incident report desk to ensure early notification of incidents
- Rapid response and support in the event of an incident
- Information gathering, timely warnings, and security training during normal operations



Incident response training



Vulnerability Diagnosis Business
Completion Report

3 Sound corporate management

- Enhance communication with stakeholders -



Discussions with Customers



Number of discussions with customer **20**

Opinion Exchange Meetings between Management and Employees



Number of feedback sessions **24**

Dialog with Business Partners



Questionnaires **205** companies

Dialog with Shareholders and Investors



Number of discussions between
management and institutional investors **108**
management and individual investors **7**

4 Building a Sustainable Society - Addressing the issue of climate change -



More severe natural disasters

Fiscal year	2017	2018	2019
Main disasters	•Heavy rain in northern Kyushu in July 2017 •Typhoon No. 18 in 2017	Heavy rain in July 2018	Heavy rain during the rainy season in 2019
Loss amount*	¥3.8 billion	¥1.2 billion	¥1.3 billion

* The total of disaster-damage losses and provision for loss on disaster, which are recognized in extraordinary losses

Disclosure of information on climate change

- Included as a member of the "Fiscal 2020 Project for Supporting the Scenario Analysis of Climate Risks and Opportunities in Accordance with TCFD," organized by the Ministry of the Environment
- Will advance disclosure in accordance with TCFD going forward

Initiatives to reduce CO₂ emissions

- Consider setting CO₂ emission reduction targets.

<JR Kyushu's Setting Numerical Targets>

In the railway division, we intend to achieve the following two targets by the fiscal year ending March 2031

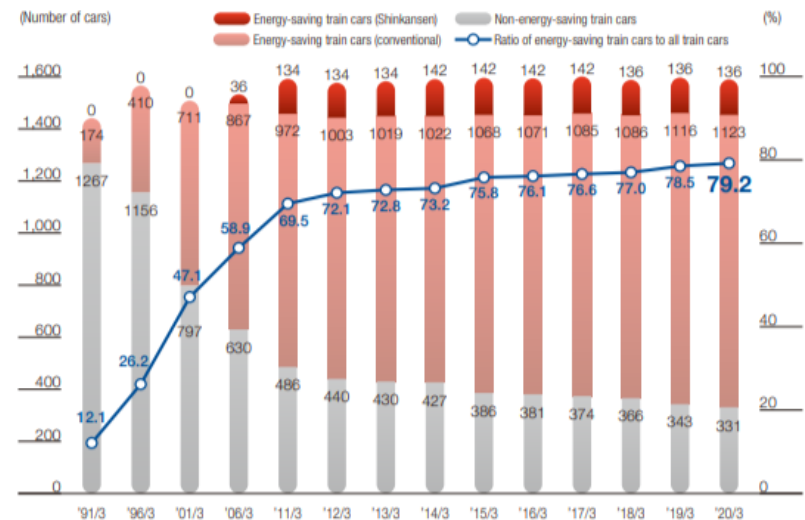
- 1) Increase the rate of introduction of energy-saving train cars to 83%.
- 2) Reduce unit energy consumption to 2.5% below the level in the fiscal year ended March 2012.



821 series :
Electricity consumption has been reduced by about 70%.



YC1 series :
Fuel consumption has been reduced by about 20%.



Number and Percentage of Energy-Saving Train Cars

4 Building a Sustainable Society - Local Community Invigoration -



JR Kyushu's D&S train



JRKYUSHU SWEET TRAIN
ARU RESSHA service

for WEST JAPAN RAILWAY



Kawasemi Yamasemi limited
express service



Yufuin no Mori limited express
service



Aso Boy! limited express service



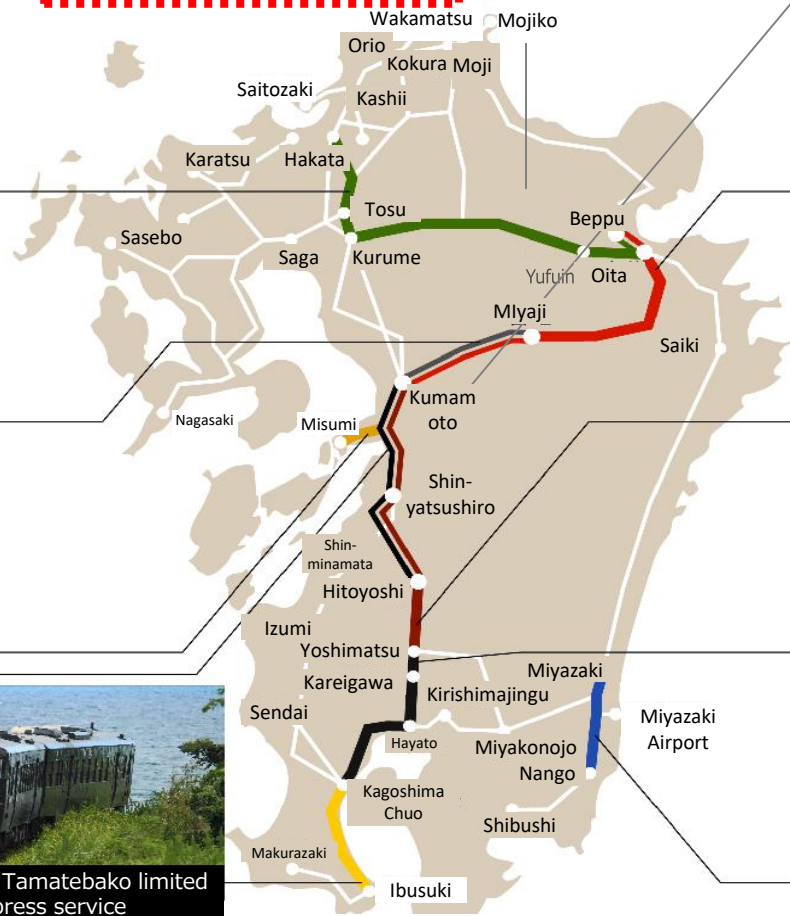
Let's Take the A-Train limited
express service



SL Hitoyoshi service



Ibusuki no Tamatebako limited
express service



Kyushu Odan Tokkyu limited
express service



Isaburo/Shinpei limited express
service



Hayato no Kaze limited express
service



Uminsachi-Yamasachi limited
express service

4 Building a Sustainable Society - Local Community Invigoration -



36 Plus 3, a “Kyushu on wheels” train full of all things Kyushu



“Kyushu on wheels”①

Kyushu’s cuisine, flavors, and experiences

- Offering lunch boxes and dinner plans featuring cuisine painstakingly prepared using local ingredients
- Selling alcoholic beverages and specialties from around Kyushu at the buffet to realize “Kyushu on wheels”
- Holding Kyushu tea experiences, Japanese apricot experiences, and other events onboard to impart a deeper sense of Kyushu



“Kyushu on wheels”②

Having fun at railway stations

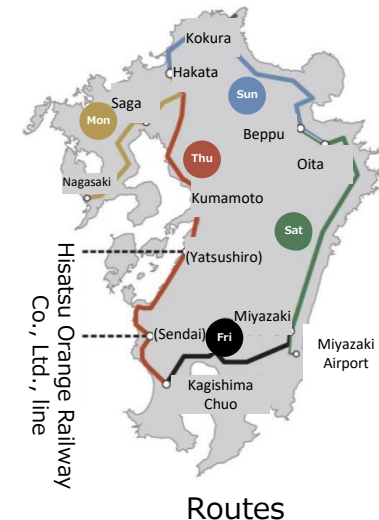
- Including stops at railway stations along each route so that passengers can enjoy the local atmosphere
- Enabling passengers to enjoy each region’s scenery and selling distinctive products at stops
- Publicizing regional cultures and traditions by organizing receptions in which local residents provide folk entertainments (held irregularly)



“Kyushu on wheels”③

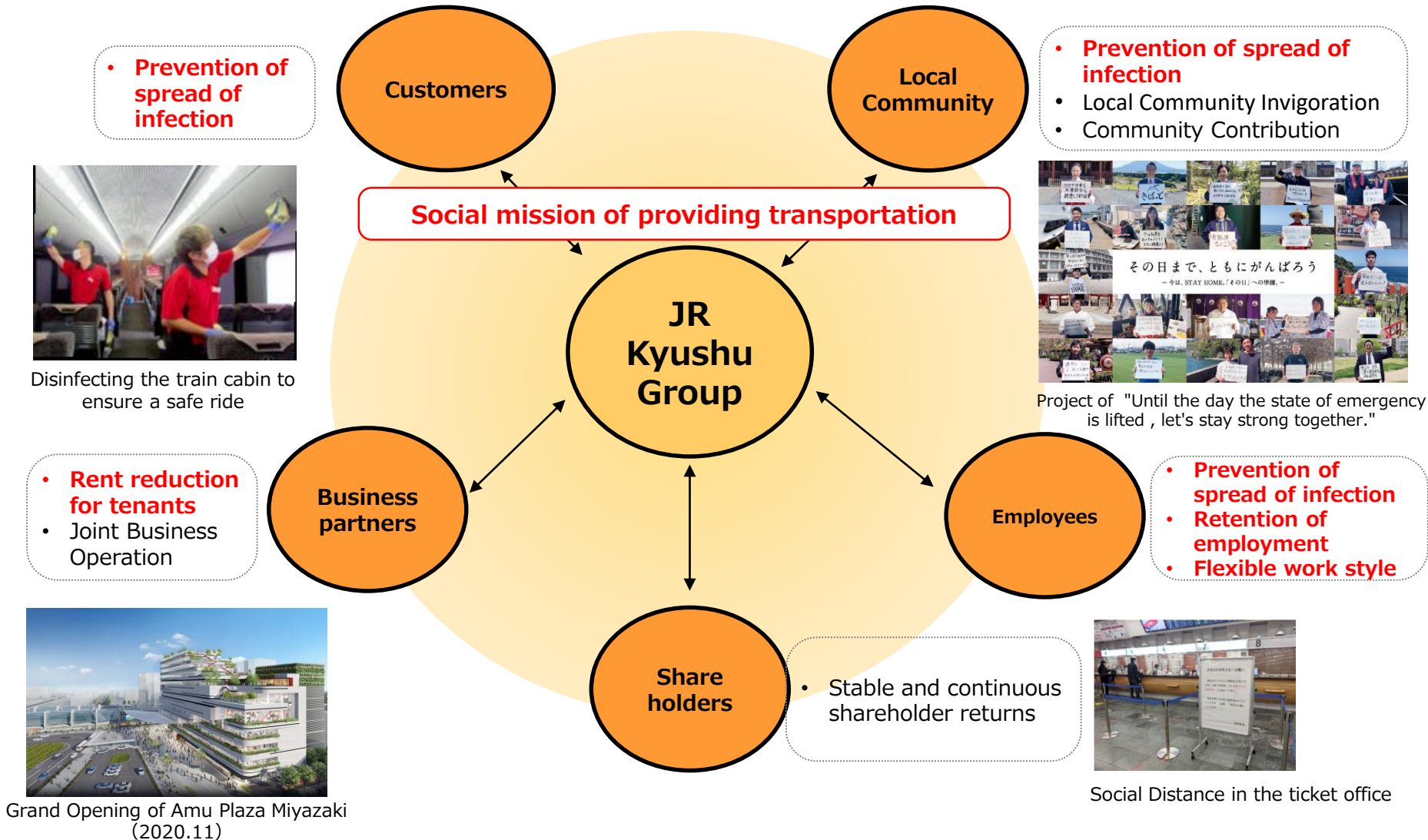
35 episodes and onboard videos

- Using leaflets distributed online and on board to introduce episodes compiled under the “color” category of each day’s route
- Encouraging customers to visit the surrounding areas by including episodes gathered from all over Kyushu, not just line-side areas
- Showing original onboard videos that feature alcoholic beverages sold at the onboard buffet and the attractions of each stop



Hospitality provided by local residents

4 Building a Sustainable Society - The Group's initiatives in the COVID-19 disaster -





THANK YOU



KYUSHU RAILWAY COMPANY

Forward-Looking Statements



These materials contain forward-looking statements concerning business forecasts, targets, etc. of the JR Kyushu Group.

The Company decided on these forward-looking statements based on the available information, as well as Company estimates and assumptions, at the time these materials were created. Please note that actual performance may vary greatly depending on the impact of various factors such as the economic environment in Kyushu as well as greater Japan and overseas, the condition of the real estate market, the progress of each individual project, changes in laws and regulations, and a wide range of other risks.

IR materials can be viewed on our corporate website:

http://www.jrkyushu.co.jp/company/ir_eng/library/earnings/